

**CHAPTER NO. 455**

**SENATE BILL NO. 1720**

**By Dixon**

Substituted for: House Bill No. 1807

By Bowers, Miller

AN ACT To amend Tennessee Code Annotated, Title 48, relative to limited liability companies.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 48-202-101(13), is amended by inserting the language "or as otherwise allowed by the Act" after the words "has not terminated" and is further amended by deleting the language "terminates the continued membership of a member in the LLC" and substituting instead therefor the language "otherwise dissolves the LLC".

SECTION 2. Tennessee Code Annotated, Section 48-202-101(21), is amended by inserting the language "or entity" after the words "a natural person".

SECTION 3. Tennessee Code Annotated, Section 48-202-101(23), is amended by deleting the statute in its entirety.

SECTION 4. Tennessee Code Annotated, Section 48-204-101(c)(4), is amended by inserting the language "or limited" after the words "case of a general".

SECTION 5. Tennessee Code Annotated, Section 48-204-102, is amended by adding the following new subdivision:

(d) The partnership interests of the partners in the converting partnership, including interests in capital accounts, profits, losses and distributions, unless otherwise agreed by the unanimous consent of all partners or such other number or percentage as provided in the partnership agreement, shall become the membership interests of the members in the converted entity, unless the articles of conversion or the operating agreement otherwise provide.

SECTION 6. Tennessee Code Annotated, Section 48-205-101(7), is amended by deleting the language "determined only with respect to governors who are members" and substituting instead therefor the language "triggered by an action approved by the governors or a subset of the governors" and is further amended by deleting the language "who are members" after the phrase "of the governors" and substituting instead therefor the language "or a subset of the governors".

SECTION 7. Tennessee Code Annotated, Section 48-206-102(c)(2), is amended by deleting the language "may order dissolution of the LLC" and substituting instead therefor the language "may conduct or continue the dissolution and winding up of the LLC".

SECTION 8. Tennessee Code Annotated, Section 48-216-101(a), is amended by inserting the language "formed prior to [effective date of 1999 amendments]" after the words "If an LLC", by deleting "(K)" from the language "§ 48-245-101(a)(5)(A)-(K)" and substituting therefor the letter "(J)" and by deleting the language "and (J)" in the last

sentence of the section and inserting the word “and” between the letter “(E)” and “(I)” in the last sentence of the subdivision.

SECTION 9. Tennessee Code Annotated, Section 48-216-101(c)(2), is amended by inserting the language “, except through wrongful withdrawal or wrongful termination,” after the language “membership has terminated”.

SECTION 10. Tennessee Code Annotated, Section 48-216-101(d)(1), is amended by inserting the word “and” after the symbol “;”.

SECTION 11. Tennessee Code Annotated, Section 48-216-101(d)(2), is amended by deleting the language “; and” and substituting therefor “.”.

SECTION 12. Tennessee Code Annotated, Section 48-216-101(d)(3), is amended by deleting the section in its entirety.

SECTION 13. Tennessee Code Annotated, Section 48-218-102(b)(2)(A), is amended by deleting the language “by at least a majority vote of the members exclusive of the member seeking to make the assignment” after the words “if the assignment is approved” and substituting instead therefor the language “in accordance with § 48-232-102”.

SECTION 14. Tennessee Code Annotated, Section 48-218-102(b)(2)(C), is amended by inserting the language “Pursuant to § 48-232-102(a),” before the words “If permitted” and lowercasing the letter “I” in the word “If” and is further amended by deleting the word “specific” after the words “or classes of” and by deleting the language “constituting less than eighty percent (80%) of the aggregate governance rights” before the words “may be assigned without”.

SECTION 15. Tennessee Code Annotated, Section 48-218-102(c)(2), is amended by deleting the language “, if such consent is necessary and in fact constitutes a majority in interest of the remaining members, also constitutes the consent necessary to avoid dissolution that would otherwise ensue under § 48-245-101(a)(5) on account of the assignor ceasing to be a member” after the words “required under subsection (b)” and substituting instead therefor the language “shall, if applicable, also constitute the consent to avoid dissolution that would otherwise result under § 48-245-101(a)(5)”.

SECTION 16. Tennessee Code Annotated, Section 48-232-102(a), is amended by adding the following new sentence at the end of the subdivision:

The articles or operating agreement may provide that the governance rights associated with membership interests or classes of membership interests may be transferred to persons who will become members upon such transfer without requiring consent of the members or governors.

SECTION 17. Tennessee Code Annotated, Section 48-233-101(d), is amended by inserting the language “or operating agreement” after the words “if the articles” in the first place that the language appears.

SECTION 18. Tennessee Code Annotated, Section 48-235-101(a), is amended by inserting the language “Except as provided in the articles or operating agreement,” at the beginning of the sentence and further amended by changing the letter “N” in the word “No” to a lowercase “n”.

SECTION 19. Tennessee Code Annotated, Section 48-235-101(e)(5), is amended by deleting the word “no” and substituting therefor the word “limited”.

SECTION 20. Tennessee Code Annotated, Section 48-238-104, is amended by deleting the word “of” after the words “other than a member” and substituting instead therefor the language “designated by”.

SECTION 21. Tennessee Code Annotated, Section 48-239-101(a), is amended by deleting the sentence “The board of governors must consist of one (1) or more individuals.” and substituting instead therefor the sentence “The board of governors must consist of one (1) or more entities which are members or individuals.”.

SECTION 22. Tennessee Code Annotated, Section 48-245-101(a)(2), is amended by inserting the language “, or upon the occurrence of an event specified in the articles or operating agreement” at the end of the subdivision.

SECTION 23. Tennessee Code Annotated, Section 48-245-101(a)(5), is amended by deleting the language “Subject to § 48-238-105 [repealed],” and substituting therefor the language “Except as provided in § 48-245-101(a)(6) for LLCs created prior to [the effective date of the 1999 amendment],”.

SECTION 24. Tennessee Code Annotated, Section 48-245-101(a)(5)(B), is amended by inserting the words “from membership” after the word “Retirement”.

SECTION 25. Tennessee Code Annotated, Section 48-245-101(a)(5)(I), is amended by inserting the language “or” at the end of the subdivision.

SECTION 26. Tennessee Code Annotated, Section 48-245-101(a)(5)(J), is amended by deleting the language “; or” and substituting therefor “.”.

SECTION 27. Tennessee Code Annotated, Section 48-245-101(a)(5)(K), is amended by deleting the subdivision in its entirety.

SECTION 28. Tennessee Code Annotated, Section 48-245-101, is amended by adding the following new subdivision:

(6) For LLCs formed on or after [effective date of 1999 amendments] or for LLCs formed prior to [effective date of 1999 amendments] that elect by providing in their articles for the 1999 amendments regarding dissolution events to apply to such LLC, the LLC shall be dissolved upon the occurrence of:

(A) In accordance with §48-245-202 or any event specified in the articles or operating agreement including, but not limited to, events of withdrawal by a member or action or procedure as set forth in the articles or operating agreement; or

(B) A merger in which the LLC is not the surviving organization.

SECTION 29. Tennessee Code Annotated, Section 48-245-101(b), is amended by deleting in their entirety subdivisions (1) and (2) thereof and by deleting the sentence “In either case, such consent must be obtained no later than ninety (90) days after the termination of the continued membership.” appearing at the end of the subdivision.

SECTION 30. Tennessee Code Annotated, Section 48-245-101(c)(1), is amended by deleting the language “In the event the articles permit” and substituting therefor the language “With respect to LLCs created prior to [the effective date of the 1999 amendments],” before the words “the articles or operating agreement” and is further amended by deleting the letter “(K)” and substituting therefor the letter “(J)”.

SECTION 31. Tennessee Code Annotated, Section 48-245-101(c)(2), is amended by deleting the language "If permitted by the articles," and substituting therefor the language "With respect to LLCs created prior to [the effective date of the 1999 amendments] and which do not elect under § 48-245-101(a)(6) to have the 1999 amendments regarding dissolution events apply," by deleting the letter "(K)" and substituting therefor the letter "(J)", and by deleting the language "those members serving as governors" and substituting therefor the language "one (1) or more members".

SECTION 32. Tennessee Code Annotated, Section 48-245-202(a), is amended by inserting the language "the members upon (i) any event of dissolution set forth in the articles, operating agreement, or the Act requiring member action, (ii) by any procedures set forth in the articles or operating agreement, or (iii) by" after the words "may be dissolved by".

SECTION 33. Any LLC or LLP created under this title shall be considered a person for the purpose of Tennessee Code Annotated, Sections, 2-10-102(9) and 2-10-102(13).

SECTION 34. This act shall take effect on July 1, 1999, the public welfare requiring it.

**PASSED: Maya 26, 1999**

  
JOHN S. WILDER  
SPEAKER OF THE SENATE

  
JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

**APPROVED this 17th day of June 1999**

  
DON SUNDQUIST, GOVERNOR